

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Six Months Ended June 30, 1971

(With comparative figures for the six months ended June 30, 1970)

SOURCE OF FUNDS	Six Months ended June 30	
	1971	1970
Net earnings before items which do not require cash flow (depreciation of fixed assets and amortization of mine development expenses)	\$ 281,717	\$ 687,596
Decrease in materials and supplies	100,626	51,430
	<u>382,343</u>	<u>739,026</u>

APPLICATION OF FUNDS

Additions to buildings, surface structures and equipment	131,476	25,133
Deferred exploration on Big Rambler Pond Zone	—	39,138
Surface exploration — Main and east zones	7,497	—
— Lots 3, 4 and 5	215,731	9,999
Deferred development — Lots 3, 4 and 5	68,721	—
Outside exploration	278	—
	<u>423,703</u>	<u>74,270</u>

Resulting in a (decrease) increase in working capital ..	\$ (41,360)	\$ 664,756
--	-------------	------------

WORKING CAPITAL

At beginning of year	\$ 169,591	\$ 639,435
(Decrease) increase for period	(41,360)	664,756
At end of period	<u>\$ 128,231</u>	<u>\$1,304,191</u>

CONSOLIDATED RAMBLER MINES LIMITED

INTERIM REPORT

FOR THE SIX MONTHS ENDED

JUNE 30, 1971

August 18, 1971.

To the Shareholders:

The surface drilling program on the Ming Zone has now been terminated in favour of underground development, the final hole being No. 153 which intersected 31.3 feet of sulphide mineralization grading 3.00% copper, .08 ounces gold and .38 ounces silver. At this point in the program company officials were satisfied that between one and two million tons of good grade ore was reasonably assured down to 1,000 vertical feet, which is enough to justify underground development. Accordingly a decline adit, 9 feet by 18 feet in section was started down at a minus grade of 18% early in June. As of this date this heading has advanced 700 feet and is expected to reach the first ore-development horizon as scheduled in mid-September.

From the long-term point of view, it is also considered important to add to the East Zone reserves and thus assure continuity to the overall operation and to maintain an economically advantageous milling rate. The geology and past deep-drilling indications of this zone are now being reappraised and an underground drilling program has been initiated on both the 875 and 1,125 levels. One hole, drilled 600 feet East from the 1,125 level workings intersected a mineralized zone which returned 0.92% copper over 60 feet. While the presence of copper mineralization in this area offers encouragement, the grade is marginal and it will take considerable more drilling to establish mineability and economic importance.

Metallurgical test work on the Ming Zone ore is continuing on a plant basis. At this juncture, it is safe to say that copper recovery above 90% can be expected with recoveries on precious metals in the 60-70% range using straight flotation.

The accompanying figures reflect the reduction in the price of copper both in the earnings statement and in the source of funds.

R. S. HAFLIDSON,
President.

STATEMENT OF EARNINGS

For the Six Months Ended June 30, 1971
(With comparative figures for the six months ended June 30, 1970)

	Six Months ended June 30	
	1971	1970
INCOME		
Gross metal production . . .	\$2,002,369	\$2,239,456
Less: Marketing costs	386,466	263,787
Net metal production	1,615,903	1,975,669
OPERATING EXPENSES		
Mining	738,323	688,345
Milling	351,467	312,234
Mine general expenses . . .	131,113	122,217
Administrative expenses . .	46,986	71,775
Underground exploration . .	14,741	9,127
	1,282,630	1,203,748
NET PROFIT on operations without provision for depreciation of fixed assets and amortization of mine development expenses	333,273	771,921
FINANCIAL EXPENSES		
Interest on advances and bank loans	51,556	48,325
NET PROFIT without depreciation of fixed assets and amortization of mine development — before providing for mining tax	281,717	723,596
Provincial mining tax	—	36,000
— after providing for mining tax	\$ 281,717	\$ 687,596
Copper production priced at:	49.4318¢	66¢